AT&T Exhibit A

BEFORE THE
PUBLIC SERVICE COMMISSION
OF THE DISTRICT OF COLUMBIA

DIRECT TESTIMONY OF

ROBERT J. KIRCHBERGER
AND
E. CHRISTOPHER NURSE

ON BEHALF OF
AT&T COMMUNICATIONS
OF WASHINGTON, DC, LLC

FORMAL CASE NO. 1024

PUBLIC VERSION

January 12, 2004

- Whether CLECs are impaired without access to unbundled dedicated transport, and the transition mechanisms the Commission should employ if it finds – which it should not – that CLECs are not impaired.

Q. PLEASE SUMMARIZE YOUR FINDINGS AND RECOMMENDATIONS.

A. Our detailed findings and recommendations are set forth in the sections which follow, and we refer the Commission to those sections for our substantive recommendations. As a general matter, however, the evidence we present demonstrates that –

- The TRO's self-provisioning trigger for mass market switching – that three CLECs serve both business and residence mass market customers using their own switching -- is not met in any wire center anywhere within the District, much less within the Washington, DC Metropolitan Statistical Area.
- There is no need for the Commission to establish a "crossover" point between DS0 and DS1 loops; consumers, rather than regulators, should decide how their service arrangements should be configured. If the Commission nevertheless decides to establish a particular crossover, it should be set at a level no lower than 21 DS0 lines.
- CLECs face substantial economic and operational barriers in attempting to serve mass market customers using their own switching facilities; and
- Verizon's dedicated triggers case is one of assumption and speculation rather than fact. Verizon has failed to demonstrate that the "triggers" have been met with respect to dedicated transport.

savings being enjoyed by consumers across the country will disappear."[99] These benefits can be expected to grow substantially in the future – but only if UNE-P is permitted to continue. Restricting the availability of unbundled mass market switching now would eliminate those benefits and further entrench – and expand – Verizon's monopoly.

The Commission can adopt Verizon's proposal that customers, rather than regulators, decide whether they want to be served with multiple unbundled loops at a single location; there is no need to mandate a DS0/DS1 "crossover" point.

Q. WHAT IS VERIZON'S PROPOSAL REGARDING THE DS0/DS1 CROSSOVER POINT?

A Verizon witnesses Johns, Gilbert, and Peduto argue at pages 13 to 15 of their direct testimony that the Commission need not establish any particular cutoff point at all. Rather, they contend (at 14), "[i]t is the objective behavior of CLECs that drives the determination of whether or not it 'makes economic sense' for CLECs to serve particular customers over DS1 loops." Continuing, these witnesses state (at 14): "If a CLEC is currently serving a customer using DS0 loops – regardless of how many – it has already made the determination on its own that it is most economical to serve that customer as a mass-market customer rather than as a DS1 enterprise customer. In other words, if it made "economic sense" to serve that customer over a DS1 loop, then the CLEC would, in fact, be doing so. This objective test is more reliable, and grounded in the realities of the

[99] Consumer Federation of America Press Release, "Study Shows Incumbents' Arguments for Higher Wholesale Prices, Reduced Access to UNEs Don't Stand Up to Scrutiny," Oct. 7, 2003. A copy of this release can be accessed online at http://www.consumerfed.org/pr10.07.03.html.

marketplace, than an arbitrary "cutoff" at a particular number of lines, regardless of whether the customer is actually being served as a DS1 customer."

Put simply, Verizon's position appears to be that it is the CLECs (and by necessary inference their customers) who determine whether a customer is "mass market" or "enterprise," depending upon whether the customer is to be served over DS0 or higher capacity loops.[100] There is no need, according to Verizon, for the Commission to establish a fixed DS0/DS1 crossover point. Instead, Verizon's proposal is that each CLEC (and its customers) that determine their own crossover points based on their own business needs. We term this the "Self-Decided" market definition as between the mass market and enterprise markets.

Q. IF THE COMMISSION ADOPTS VERIZON'S PROPOSAL TO "DETERMINE THE APPROPRIATE CUT-OFF FOR MULTILINE DS0 CUSTOMERS" (TRO ¶ 497) AS BEING "SELF-DECIDED," SHOULD THAT SAME DEFINITION APPLY FOR ALL OTHER MARKET DETERMINATIONS REQUIRED UNDER THE TRO?

A. Yes. The TRO (at ¶ 495) provides that "[T]he state commission must use the same market definitions for all of its analysis."

Q. WHAT IMPACT WOULD VERIZON'S MARKET DEFINITION HAVE, FOR EXAMPLE, ON A CLEC'S ABILITY TO OBTAIN MULTIPLE UNE-P ARRANGEMENTS AT A SINGLE LOCATION?

A. Under Verizon's "Self-Decided" approach to the mass market definition, a CLEC would be able to provision as many UNE-P arrangements at a single location as the CLEC found to be economically and/or operationally feasible. It would be entirely the CLEC's (and its customer's) decision.

[100] Although Verizon focuses on the CLEC's supposed "choice," in fact customers principally make these decisions. It is they who must decide whether they want to allow new CPE to be deployed at their premises and whether they are willing to go through the cutover of their service from DS0 loops to higher capacity facilities.

This would override the FCC's tentative suggestion in its *UNE Remand Order* that, under certain conditions, an ILEC might be relieved of its obligation to make UNE-P lines available at locations served by four or more lines in density zone one in the top 50 Metropolitan Statistical Areas (MSAs).[101] As the TRO explains, where the states utilize their authority "to determine the appropriate cross over point" the UNE Remand Order's suggested four-line limitation would not apply. (TRO ¶ 497 and Footnote 1546)

This would not be a change for Verizon. Although the UNE Remand Order afforded it the opportunity to do so, Verizon to date has not enforced any limits on the number of UNE-P arrangements a CLEC could obtain at an individual location. Under the "Self-Decided" market definition that Verizon proposes here, that would continue to be the case. However, Verizon should not be allowed to manipulate its proposal to support a claim that if a CLEC serves only a market niche of multi-line business customers it may be found to be a viable trigger firm under the trigger analysis.

Q. IS VERIZON'S PROPOSAL FOR A "SELF-DECIDED" CROSSOVER POINT WARRANTED BY THE FACTS?

A. Yes. Even a simplified analysis shows that the appropriate cross-over point between DS0 and DS1 loops is sufficiently high such that there is no practical need for the Commission to draw a line at some arbitrarily low number.

[101] In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Third Report and Order and Fourth Further Notice of Proposed Rulemaking ("UNE Remand Order"), Decision FCC 99-238, released November 5, 1999, ¶ 278 and 281.

Q. IF NONETHELESS THE COMMISSION DECIDES TO ESTABLISH A CROSSOVER POINT, HAVE YOU ESTIMATED WHAT THE CROSSOVER POINT SHOULD BE?

A. A conservative and simplified comparison was made of the cost of providing multiple DS0 UNE-loops with the costs of serving that customer with a DS-1 UNE-loop. This type of comparison was contemplated by the FCC in Footnote 1544 of the TRO but did not take into account all costs that a CLEC will incur in provisioning a multi-line customer by means of a DS1 facility. For the District of Columbia, this conservative and simplified comparison shows that the crossover would be not less than 21 lines. The cost study methodology and inputs used in the calculation for this comparison appear in Exhibit A-12 to this testimony.

Q. WHY DID YOU STATE THAT YOUR COMPARISON WAS CONSERVATIVE AND SIMPLIFIED?

A. The analysis only compared the costs a CLEC would incur in serving a multiple-line customer using DS0 loops versus using a DS1 loop and providing associated customer premises equipment. The study did not include the additional costs of marketing and engineering. Looking at those and other economic factors would indicate an even higher crossover point. It should also be noted that the nominal 21-line crossover level is generally consistent with the 19-line limit that has been in place in New York for the last several years. If the Commission concludes that a crossover level should be established, despite the contentions of both Verizon and AT&T that there should be no limit, the level should be set sufficiently high so that, as practical matter, CLECs can continue to choose, based upon the totality of circumstances related to serving each multiple-line customer, whether it is economic to provide service using DS0 loops or a DS1 loop.

Q. PLEASE DESCRIBE YOUR COST-COMPARISON ANALYSIS.

A. A CLEC will incur substantial non-recurring and recurring and investment costs in deciding to serve a customer by means of DS1-service. This is partly due to the fact that it generally costs a CLEC roughly the same to serve a customer with a DS1-based facility whether the customer has one voice-grade-equivalent line or twenty-four.[102] By contrast, a CLEC's costs to order and provision DS0 UNE-Loop service include no CPE investment. Further, a CLEC's monthly recurring costs are directly related to the number of loops served at a location.[103] For example, if an ILEC's wholesale rate for a DS0 UNE-L service is about $11 per line per month, then the purchasing CLEC's total monthly loop cost to serve its retail customer with five UNE-L lines is $55. The simplified cost analysis calculates the total monthly loop cost to sell, install, and maintain a DS1-based service at a customer's location and then divides that result by the monthly UNE-L costs of serving that same customer. This result, rounded to the next higher whole number, yields the number of UNE-L lines at which the CLEC should be economically indifferent as to whether DS0 loops or a DS1 loop is used to provide service. The simplified cost study only considered the costs of providing service by means of a DS1 from the customer's location to the CLEC's collocation arrangement at the ILEC's central office.

[102] A DS1 loop can serve up to 24 voice grade equivalents.

[103] A CLEC that provides a customer with service using UNE-L will certainly incur some non-recurring expenses for activities such as creating an internal order once the customer has agreed to subscribe to the CLEC's service and submitting an order to the ILEC. However, those expenses would also occur if the CLEC served the customer using a DS1 based service. To simplify the analysis, CLEC costs to order either UNE-L or DS1 loops are excluded from the analysis.

Q. HAS THE FOUR-LINE LIMIT PRESENTED IN THE UNE REMAND ORDER BEEN IN EFFECT IN THIS JURISDICTION?

A. No. To the best of our knowledge, the limit has never been imposed in Verizon's eastern region, encompassing the former Bell Atlantic and NYNEX states and the District of Columbia. Apparently, Verizon has not been harmed by the lack of "cut-off" limits, as evidenced by its inaction.

Q. SHOULD THE COMMISSION MAKE AN AFFIRMATIVE FINDING THAT THERE SHOULD BE NO FIXED CUT-OFF NUMBER OF UNE-P LINES THAT MAY BE AVAILABLE TO A CLEC TO SERVE A CUSTOMER IN A GIVEN LOCATION?

A. Yes. As Verizon appears to agree, the absence of a fixed "cut-off" level for obtaining UNE-P lines has allowed CLECs to determine, on a case-by-case basis, where the true economic crossover point is in serving each multi-line customer. The establishment of any fixed "cut-off" level creates the risk that multi-line customers currently subscribing to a greater number of DS0 lines, and therefore having the opportunity to choose from among numerous carriers offering DS0-based service, will find themselves with no competitive alternative to ILEC-provided service. While the Commission can use its regulatory power to protect captive customers from the effects of an absence of market forces, it is far better to allow market forces to discipline prices and induce service quality improvements, as occurs when customers have meaningful choices of service providers. For these reasons, the Commission should affirmatively find that there should be a variable, and not a fixed cut-off of UNE-P lines, and thereby preserve the status quo. Alternatively, if the Commission decides to establish a cut-off, the level should be sufficiently high, as the evidence supports no less than 21 lines, so as to minimize the adverse impact upon customers.

Witness background and qualifications

Q. MR. KIRCHBERGER, PLEASE STATE YOUR FULL NAME, ADDRESS AND CURRENT RESPONSIBILITIES.

A. My name is Robert J. Kirchberger. I am employed by AT&T, Inc. ("AT&T") at 1 AT&T Way, Bedminster, New Jersey. I am currently Director of Government Affairs in the Law and State Government Affairs Division. I am responsible for presenting AT&T's regulatory advocacy on a broad range of issues in jurisdictions across AT&T's eastern region, including Pennsylvania. I have also directed AT&T's participation in various industry collaborative work groups addressing Verizon's unbundled network elements ("UNEs"), operational support systems ("OSS") and performance measures and remedies.

Q. MR. KIRCHBERGER, WHAT IS YOUR EXPERIENCE IN THE TELECOMMUNICATIONS INDUSTRY?

A. I have 34 years experience in the telecommunications industry – ten years with New Jersey Bell and 24 years with AT&T. Over that span I have held positions of increasing responsibility in a number of areas, including management of local repair service centers and local switching offices, development of technical and tariff support for pricing and marketing of both New Jersey Bell's and AT&T's services, management of customized offerings and management of local service initiatives. I have actively participated in state commission-sponsored oversight of the testing of Verizon's OSS in Pennsylvania, Virginia, and New Jersey. I have also participated on AT&T's behalf in the negotiation and arbitration of the interconnection agreements with Verizon's predecessor, Bell Atlantic, in 1996 and 1997.

competition have mounted sharply in recent months to as much as $5 billion per year.[109] Dr. Cooper has concluded, however, that "[t]he tremendous gains that competition and consumers have made recently will be short-lived if the incumbent carriers succeed in undermining UNE-based competition, and forcing weakened competitive carriers to build redundant telecommunications networks. If this happens, it will spell the end of local phone competition, and the real savings being enjoyed by consumers across the country will disappear."[110] These benefits can be expected to grow substantially in the future – but only if UNE-P is permitted to continue. Restricting the availability of unbundled mass market switching now would eliminate those benefits and further entrench – and expand – Verizon's monopoly.

The Commission can adopt Verizon's proposal that customers, rather than regulators, decide whether they want to be served with multiple unbundled loops at a single location: there is no need to mandate a DS0/DS1 "crossover" point.

Q. WHAT IS VERIZON'S PROPOSAL REGARDING THE DS0/DS1 CROSSOVER POINT?

A At pages 17-18 of the Berry (now West)/Peduto October 31, 2003 Direct Testimony (Verizon Statement 1.0), Verizon argues that the Commission need not establish any particular cutoff point at all. Rather, according to Verizon (at 17), "it is the objective behavior of the CLEC that should drive the determination of

[109] Consumers Federation of America, "Competition at the Crossroads: Can Public Utility Commissions Save Local Phone Competition?" at p. 7 (Oct. 7, 2003) ("CFA Report"). This calculation does not include savings for consumers who have not taken bundles, but have switched providers. A copy of the report can be found online at http://www.consumerfed.org/unep_200310.pdf.

[110] Consumer Federation of America Press Release, "Study Shows Incumbents' Arguments for Higher Wholesale Prices, Reduced Access to UNEs Don't Stand Up to Scrutiny," Oct. 7, 2003. A copy of this release can be accessed online at http://www.consumerfed.org/pr10.07.03.html.

whether or not it 'makes economic sense' for the CLEC to serve particular customers over DS1 loops." Verizon goes on to say (at 18) that "If the CLEC has made the economic decision to treat the customer as a mass market customer and to serve the location using voice-grade loops, then the DS0 lines at that customer location should be counted as such for purposes of the switching impairment analysis."

Put simply, Verizon's position appears to be that it is the CLECs (and by necessary inference their customers) who determine whether a customer is "mass market" or "enterprise," depending upon whether the customer is to be served over DS0 or higher capacity loops.[111] There is no need, according to Verizon, for the Commission to establish a fixed DS0/DS1 crossover point. Instead, Verizon's proposal is that each CLEC (and its customers) that determine their own crossover points based on their own business needs. We term this the "Self-Decided" market definition as between the mass market and enterprise markets.

Q. IF THE COMMISSION ADOPTS VERIZON'S PROPOSAL TO "DETERMINE THE APPROPRIATE CUT-OFF FOR MULTILINE DS0 CUSTOMERS" (TRO ¶ 497) AS BEING "SELF-DECIDED," SHOULD THAT SAME DEFINITION APPLY FOR ALL OTHER MARKET DETERMINATIONS REQUIRED UNDER THE TRO?

A. Yes. The TRO (at ¶ 495) provides that "[T]he state commission must use the same market definitions for all of its analysis."

[111] Although Verizon focuses on the CLEC's supposed "choice," in fact customers principally make these decisions. It is they who must decide whether they want to allow new CPE to be deployed at their premises and whether they are willing to go through the cutover of their service from DS0 loops to higher capacity facilities.

Q. WHAT IMPACT WOULD VERIZON'S MARKET DEFINITION HAVE, FOR EXAMPLE, ON A CLEC'S ABILITY TO OBTAIN MULTIPLE UNE-P ARRANGEMENTS AT A SINGLE LOCATION?

A. Under Verizon's "Self-Decided" approach to the mass market definition, a CLEC would be able to provision as many UNE-P arrangements at a single location as the CLEC found to be economically and/or operationally feasible. It would be entirely the CLEC's (and its customer's) decision.

This would override the FCC's tentative suggestion in its *UNE Remand Order* that, under certain conditions, an ILEC might be relieved of its obligation to make UNE-P lines available at locations served by four or more lines in density zone one in the top 50 Metropolitan Statistical Areas (MSAs).[112] As the TRO explains, where the states utilize their authority "to determine the appropriate cross over point" the UNE Remand Order's suggested four-line limitation would not apply. (TRO ¶ 497 and Footnote 1546)

This would not be a change for Verizon. Although the UNE Remand Order afforded it the opportunity to do so, Verizon to date has not enforced any limits on the number of UNE-P arrangements a CLEC could obtain at an individual location. Under the "Self-Decided" market definition that Verizon proposes here, that would continue to be the case. However, Verizon should not be allowed to manipulate its proposal to support a claim that if a CLEC serves only a market niche of multi-line business customers it may be found to be a viable trigger firm under the trigger analysis.

[112] In the Matter of Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98, Third Report and Order and Fourth Further Notice of Proposed Rulemaking ("UNE Remand Order"), Decision FCC 99-238, released November 5, 1999, ¶ 278 and 281.

Q. IS VERIZON'S PROPOSAL FOR A "SELF-DECIDED" CROSSOVER POINT WARRANTED BY THE FACTS?

A. Yes. Even a simplified analysis shows that the appropriate cross-over point between DS0 and DS1 loops is sufficiently high such that there is no practical need for the Commission to draw a line at some arbitrarily low number.

Q. IF NONETHELESS THE COMMISSION DECIDES TO ESTABLISH A CROSSOVER POINT, HAVE YOU ESTIMATED WHAT THE CROSSOVER POINT SHOULD BE?

A. A conservative and simplified comparison was made of the cost of providing multiple DS0 UNE-loops with the costs of serving that customer with a DS-1 UNE-loop. This type of comparison was contemplated by the FCC in Footnote 1544 of the TRO but did not take into account all costs that a CLEC will incur in provisioning a multi-line customer by means of a DS1 facility. For Pennsylvania, this conservative and simplified comparison shows that the crossover would be not less than the range of 14 to 16 lines. The cost study methodology and inputs used in the calculation for this comparison appear in Exhibit 24 to this testimony.

Q. WHY DID YOU STATE THAT YOUR COMPARISON WAS CONSERVATIVE AND SIMPLIFIED?

A. The analysis only compared the costs a CLEC would incur in serving a multiple-line customer using DS0 loops versus using a DS1 loop and providing associated customer premises equipment. The study did not include the additional costs of marketing and engineering. Looking at those and other economic factors would indicate an even higher crossover point, one consistent with the 19-line limit that has been in place in New York for the last several years. If the Commission concludes that a crossover level should be established, despite the contentions of both Verizon and AT&T that there should be no limit, the level should be set

sufficiently high so that, as practical matter, CLECs can continue to choose, based upon the totality of circumstances related to serving each multiple-line customer, whether it is economic to provide service using DS0 loops or a DS1 loop.

Q. PLEASE DESCRIBE YOUR COST-COMPARISON ANALYSIS.

A. A CLEC will incur substantial non-recurring and recurring and investment costs in deciding to serve a customer by means of DS1-service. This is partly due to the fact that it generally costs a CLEC roughly the same to serve a customer with a DS1-based facility whether the customer has one voice-grade-equivalent line or twenty-four.[113] By contrast, a CLEC's costs to order and provision DS0 UNE-Loop service include no CPE investment. Further, a CLEC's monthly recurring costs are directly related to the number of loops served at a location.[114] For example, if an ILEC's wholesale rate for a DS0 UNE-L service is about $14 per line per month, then the purchasing CLEC's total monthly loop cost to serve its retail customer with five UNE-L lines is $70. The simplified cost analysis calculates the total monthly loop cost to sell, install, and maintain a DS1-based service at a customer's location and then divides that result by the monthly UNE-L costs of serving that same customer. This result, rounded to the next higher whole number, yields the number of UNE-L lines at which the CLEC should be economically indifferent as to whether DS0 loops or a DS1 loop is used to

[113] A DS1 loop can serve up to 24 voice grade equivalents.

[114] A CLEC that provides a customer with service using UNE-L will certainly incur some non-recurring expenses for activities such as creating an internal order once the customer has agreed to subscribe to the CLEC's service and submitting an order to the ILEC. However, those expenses would also occur if the CLEC served the customer using a DS1 based service. To simplify the analysis, CLEC costs to order either UNE-L or DS1 loops are excluded from the analysis.

provide service. The simplified cost study only considered the costs of providing service by means of a DS1 from the customer's location to the CLEC's collocation arrangement at the ILEC's central office.

Q. HOW DOES YOUR COST ANALYSIS ACCOUNT FOR THE DIFFERENT UNE RATE ZONES IN THIS STATE?

A. The costs for a DS1-capable loop and a DS0 UNE-L line can vary substantially by rate zone. For the sake of simplicity and administrative efficiency, the cost analysis develops a weighted average of the crossover points for the individual zones based upon the percentage of loops that are found in each zone.

Q. HAS THE FOUR-LINE LIMIT PRESENTED IN THE UNE REMAND ORDER BEEN IN EFFECT IN THIS JURISDICTION?

A. No. To the best of my knowledge, the limit has never been imposed in Verizon's eastern region, encompassing the former Bell Atlantic and NYNEX states. Apparently, Verizon has not been harmed by the lack of "cut-off" limits.

Q. SHOULD THE COMMISSION MAKE AN AFFIRMATIVE FINDING THAT THERE SHOULD BE NO CUT-OFF NUMBER OF UNE-P LINES THAT MAY BE AVAILABLE TO A CLEC TO SERVE A CUSTOMER IN A GIVEN LOCATION?

A. Yes. As Verizon appears to agree, the absence of a "cut-off" level for obtaining UNE-P lines has allowed CLECs to determine, on a case-by-case basis, where the true economic crossover point is in serving each multi-line customer. The establishment of any "cut-off" level creates the risk that multi-line customers currently subscribing to a greater number of DS0 lines, and therefore having the opportunity to choose from among numerous carriers offering DS0-based service, will find themselves with no competitive alternative to ILEC-provided service. While the Commission can use its regulatory power to protect captive customers

from the effects of an absence of market forces, it is far better to allow market forces to discipline prices and induce service quality improvements, as occurs when customers have meaningful choices of service providers. For these reasons, the Commission should affirmatively find that there should be no cut-off of UNE-P lines, and thereby preserve the status quo. Alternatively, if the Commission decides to establish a cut-off, the level should be sufficiently high so as to minimize the adverse impact upon customers.

CLECs face substantial operational and economic barriers to the expansion of their facilities-based services.

Q. YOUR TESTIMONY HAS EXPLAINED THAT THE TRO'S MASS MARKET SWITCHING SELF-PROVISIONING "TRIGGER" IS NOT MET ANYWHERE, IN PART BECAUSE CLECS ARE NOT USING THEIR OWN SWITCHES TO SERVE CUSTOMERS THROUGHOUT ANY OF THE SEVEN MSAs AT ISSUE. WHILE A DETAILED ANALYSIS OF WHETHER CLECS *COULD* EXTEND UNE-L INTO ADDITIONAL AREAS WOULD BE PART OF A "POTENTIAL DEPLOYMENT" INVESTIGATION – SOMETHING WELL BEYOND THE SCOPE OF THIS DOCKET – PLEASE BRIEFLY ADDRESS WHY CLECS HAVE NOT EXTENDED UNE-L MORE BROADLY.

A. The trigger analysis presented in the first section of this testimony demonstrates that the "trigger" for mass market switching has not been met. That is the end of the inquiry for purposes of this "triggers only" proceeding.

That being said, AT&T recognizes that the Commission may also want to understand *why* the trigger is not being met. The testimony below briefly addresses the types of economic and operational barriers CLECs face to serve mass market customers using their own switching facilities.

The Pace Coalition, *et al.*
October 4, 2004
Exhibit 24

BEFORE THE ILLINOIS COMMERCE COMMISSION

Docket No. 03-0595

Direct Testimony of Daniel R. Gordon

On Behalf of Sprint Communications Company, L.P.
Regarding Unbundled Local Switching for Mass Market Customers

SPRINT EX. 1.0
Sprint Communications Company, L.P.
PUBLIC

January 20, 2004

Q-1. Please state your name, business address, employer and current position.

A-1. My name is Daniel R. Gordon. My business address is 6450 Sprint Parkway, Overland Park, KS 66251. I am employed as Manager – Services Costing for Sprint/United Management Company.

Q-2. Please summarize your qualifications and work experience.

A-2. I received a Bachelor of Arts degree from Westminster College in Fulton, Missouri in 1991 with a major in Business Administration. In 1995, I received a Master of Science degree in Agricultural Economics from the University of Missouri – Columbia. I have also received training in telecommunications through various industry sources and completed numerous training courses within Sprint.

Q-3. Have you previously testified before state regulatory commissions?

A-3. Yes. I have testified before the Missouri and Tennessee regulatory commissions. I have supported the development of testimony in many other states.

Q-4. What is the purpose of your testimony?

A-4. The purpose of my testimony is to support Sprint witness James R. Burt's testimony wherein he discusses, the appropriate crossover point for multi-line DS-0. My testimony provides the calculations used to determine the economic crossover between provisioning DS-0 (voice grade) loops and DS-1 loops.

Q-5. Has Sprint developed an economic crossover analysis?

A-5. Yes. Attachment DRG-1, attached to my testimony, calculates the average economic crossover for a competitive local exchange carrier (CLEC) serving an analog customer in the territories of the two largest incumbent local exchange carriers (ILEC) within the state of Illinois based on the number of analog voice lines used by the customer.

Q-6. What is the appropriate cut-off for multiline DS-0 customers (where it is more economic to serve a multiline customer with a DS-1 loop)?

A-6. The model results indicate that for a CLEC serving a particular customer location with between one and fourteen DS-0s it is more cost-effective for the CLEC to purchase individual loops rather than purchasing a single DS-1.

Q-7. What are the cost components in the economic cost crossover model for the provision of service over a DS-1 facility?

A-7. Our model includes the monthly recurring charges of the unbundled network element DS-1 loops, the unbundled network element non-recurring charges for DS-1 loops, and the monthly costs of a channel bank installed at the customer's premises used to multiplex multiple voice channels onto a DS-1 loop facility.

Q-8. What are the cost components in the economic cost crossover model for the provision of service over a DS-0 facility?

A-8. The model includes the monthly recurring charges of the unbundled network element DS-0 loops and the non-recurring charges for unbundled network element DS-0 loops. The non-recurring charges reflect the charges for the initial DS-0 loop and each additional loop ordered.

Q-9. What are the sources of unbundled network element prices for the monthly recurring services and the non-recurring services?

A-9. Unbundled network element prices are based on SBC'S current prices found in ILL. C.C. No. 20, Illinois Bell Telephone's tariff. Verizon's prices for UNE loops, are those used in the Sprint-Verizon Interconnection Agreement.

Q-10. What is the source of the access line data used to determine the weighted average UNE prices?

A-10. The access line data are from the HCPM adjusted with Universal Service Administrative Company (USAC) lines in service. HCPM provided lines by wirecenter as of 2000. For each company in the study, the difference between the lines in HCPM and lines in USAC was applied to the wirecenter level line counts to determine a more current estimate of access lines for the studied ILECs.

Q-11. What additional variables are included in the calculations?

A-11. A weighted average cost of capital input is used for amortizing the non-recurring charges. The weighted average cost of capital is 12.95 percent that was ordered

for use in the settlement of the FCC arbitration between AT&T, WorldCom and Verizon Virginia, Inc.[1]

Q-12. How are the non-recurring unbundled network element costs treated in the economic crossover analysis?

A-12. The non-recurring unbundled network element charges for establishing DS-0 or DS-1 services are amortized over a 24 month period using Sprint's weighted cost of capital.

Q-13. How is the monthly cost of the channel bank at a DS-1 customer premises calculated?

A-13. The monthly cost of the equipment is calculated by multiplying the total material cost times an annual charge factor that accounts for cost of capital, depreciation, income tax, and maintenance. The annual cost is then divided by twelve to calculate the monthly cost. Material prices reflect the size of the channel bank and cards that would be installed at a customer premises capable of multiplexing one DS-1 into DS-0s. Labor related to the installation of the customer premises channel bank was amortized over 24 months.

[1] Petitions of WorldCom, Inc. and AT&T Communications of Virginia Inc. Pursuant to section 252(e) (5) of the Communications act for Preemption of the jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon Virginia, Inc., and for Expedited Arbitration, CC Docket Nos. 00-218 and 00-251, DA 03-2738, Memorandum Opinion and Order (Released August 29, 2003) at Paragraph 104.

Q-14. How are these cost components used to calculate a state-wide average crossover between unbundled DS-0 and DS-1 loops?

A-14. The model calculates the UNE provisioning costs of both DS-0 and DS-1 facilities as described above for each central office in the state of Illinois served by the largest LECs (SBC and Verizon). A weighted average cost for each MRC and NRC is computed by multiplying the central office specific result by the percentage of access lines in that central office. The weighted average cost of a DS-1 loop is then divided by the weighted average cost of a DS-0 loop.

Q-15. What is the economic crossover result produced in the model.

A-15. The model results indicate that for a CLEC serving a particular customer location with between one and fourteen DS-0s it is more cost-effective for the CLEC to purchase individual loops rather than purchasing a single DS-1.

Q-16. Does this conclude your direct testimony?

A-16. Yes.

ATTACHMENT DRG-1
DS0 to DS1 Crossover

State = Illinois

A	B	C	D	E	F
Row	**Description**	**DS1 + Channel Bank**	**DS0**	**Crossover DS0 Quantity**	**Crossover Rounded DS0 Quantity**
10	**Weighted Average**				
11	MRC	$ 111.43	$ 11.20		
12	NRC - Amortized	$ 49.68	$ 0.45		
13	Total	$ 161.11	$ 11.66	13.82	14

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

Before Commissioners: **Brian J. Moline, Chair**
John Wine
Robert E. Krehbiel

In the Matter of a General Investigation to Implement the State Mandates of the Federal Communications Commission's Triennial Review Order	))))	**Docket No. 03-GIMT-1063-GIT**

DIRECT TESTIMONY OF

JOHN F. FINNEGAN

ON BEHALF OF

AT&T COMMUNICATIONS OF SOUTHWEST, INC.

AND

TCG KANSAS CITY, INC.

CROSS OVER POINT

JANUARY 30, 2004

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME, ADDRESS AND OCCUPATION.

A. My name is John F. Finnegan. My address is 1875 Lawrence St., Denver, CO 80202. I am a Senior Policy Witness in AT&T's Law and Government Affairs organization.

Q. PLEASE PROVIDE YOUR BACKGROUND AND PROFESSIONAL EXPERIENCE AS THEY RELATE TO THE ISSUES IN THIS PROCEEDING.

A. My education and relevant work experience are as follows. I have a B.S. in Engineering from the Rutgers College of Engineering and an M.B.A. from the University of Denver. I have worked for AT&T for over 20 years. After graduating from Rutgers, I spent the next two years with Combustion Engineering in Valley Forge, PA as a Project Engineer. In 1983, I joined AT&T as a purchased product engineer. Over the next 12 years, I spent time with AT&T in a variety of engineering, quality management, sales and marketing positions. Almost half of that time was spent leading a supplier quality management organization.

In 1995, I joined AT&T's New Markets Development Organization and was one of the first employees in AT&T's Western Region to explore the opportunities associated with providing local exchange services. In 1996, I began in my current position of Senior Policy Witness. As a Senior Policy Witness, I am responsible for developing and advocating AT&T's position on a wide range of issues.